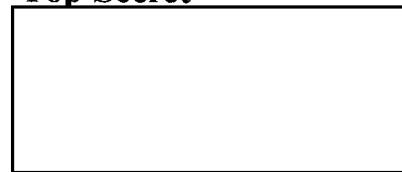


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National Intelligence Daily (Cable)

9 December 1978

State Dept. review completed

DIA review(s) completed.

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CG NIDC 78-0286C

9 December 1978

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CHINA: Political Policies

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IRAN: Ashura Situation Report

Despite efforts to assure a peaceful atmosphere at the mass march in Tehran tomorrow, it would not be difficult for a small number of Iranian extremists to provoke a violent confrontation. So far, the Iranian military has handled the anti-Shah demonstrations fairly well, but its nerve and cohesion probably will be severely tested during the holiest days of Moharram tomorrow and Monday.

Iranian Prime Minister Azhari reversed an earlier decision and announced that the government would allow religious demonstrations this weekend as long as they remain peaceful.

The US Embassy in Tehran reports that political activity is under way aimed at avoiding a bloodbath during Sunday's mass march in the capital. Moderate opposition leaders in the National Front and among the Shia clergy are urging their followers to demonstrate peacefully.

It is doubtful that these talks can calm the situation this late. There are no indications that Khomeini wants to avoid a showdown.

The Shah's opponents have probably been encouraged by what they view as indications that US support for the Shah is wavering. Many Iranians view the departure of Americans from Iran and President Carter's statements on Thursday as evidence of a dramatic change in US policy.


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Food supplies are not an immediate problem. The government reportedly has a month's stocks of meat, fruit, and vegetables. Supermarkets report that their supplies of those food items and of processed foods have been regular. Prices have risen dramatically, however, because in many cases retailers have had to arrange other sources of supply and pay higher labor and transportation costs. The government, moreover, has been unable to enforce price controls. 

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The food supply situation is complicated by strikes affecting fuel, transportation, customs clearance, and banking. Unless alleviated, these problems could completely halt imports of foodstuffs--which account for about one-third of Iran's food needs. 

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USSR-IRAN: *Izvestia* Commentary

The Soviets appear to have downgraded still further the Shah of Iran's prospects for survival and are trying to distance themselves from him without seriously undermining relations with the Shah should he survive. An *Izvestia* article this week by S. Kondrashev stops just short of directly criticizing the Shah, acknowledges that Iran is at a "crossroads," and continues the established Soviet campaign to forestall US action in support of the Shah. []

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Kondrashev states that the growing "antigovernment" movement in Iran can be more accurately described as "antimonarchist" and "antifascist." He cites foreign conclusions that the opposition to the government is increasing, that the military government has been unable to cope with the problem, that not a single social group supports the regime, and that even the Army's loyalty cannot be guaranteed. In short, Kondrashev outlines a bleak situation for the Shah. []

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The bulk of the article consists of an expansion of the now-established Soviet thesis on US intentions toward Iran. Kondrashev appears less concerned than previous Soviet commentators with the possibility of US intervention to save the regime. He gives some of the credit for the US failure to intervene thus far to General Secretary Brezhnev's warning against such a move on 18 November. The article goes on to say that many in the US recognize that the time for intervention has passed and that doing so now would be like "pouring fat on a blazing fire." []

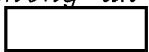
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ZAMBIA: Presidential Election

Zambians go to the polls on Tuesday to elect a president and a parliament. President Kaunda's popularity has slipped somewhat in recent months, but he is running unopposed and should win a majority of the votes. 

Over the past year, Kaunda has come under mounting criticism for his failure to halt Zambia's economic decline, his preoccupation with the Rhodesian situation, and his support for Joshua Nkomo's guerrilla forces. Simon Kapwepwe, a leading critic of the regime who enjoys considerable support within the country's largest tribal group, had sought to run against Kaunda on such a platform but was prevented by the official party from becoming a candidate. 

Zambian voters can cast "no" votes against Kaunda, but a heavy negative vote is unlikely, given the lack of an alternative candidate and the party's ability to steer the vote in Kaunda's favor. Popular dissatisfaction with the government, however, could result in a low voter turnout. The voters might also show their discontent by ousting incumbents identified with the government in the concurrent parliamentary elections. 

The electoral campaign has proved a far more time-consuming process than Kaunda had anticipated. With the election behind him, Kaunda will have to turn to Zambia's pressing economic problems and the Rhodesian imbroglio, neither of which will be easily or quickly resolved. 

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SOUTH KOREA: Imports Policy

South Korea is mapping out a new economic policy favoring increased imports, reduced farm subsidies, and greater emphasis on manpower development. The program is designed to control inflation and respond to international pressure for import liberalization. []

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Consumer prices are rising at a 15-percent annual rate compared with 10 percent in 1977. The upward pressure on prices stems in large part from the government's failure to anticipate large foreign exchange inflows in 1977. In addition, rising incomes have boosted consumer demand for durables beyond supply capacities, a construction boom has caused shortages of building materials and skilled labor, and a spring drought reduced agricultural output. []

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South Korea's balance of payments--benefiting from large inflows from South Korean construction work in the Middle East and rapid export gains--has improved dramatically over the past three years and has far exceeded government expectations. With the overall balance of payments in good shape, Seoul appears willing to accept larger trade deficits in exchange for reducing inflation. []

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South Korea has targeted foreign purchases to grow from \$10 billion last year to \$25 billion in 1981; this would make South Korea one of the world's fastest growing import markets. Seoul will continue its attempts to buy more from the US and Western Europe, but Japan will probably maintain its 35- to 40-percent share of the South Korean market. South Korea expects its trade deficit, less than \$500 million last year, to reach \$2.8 billion in 1979. []

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The plan also calls for a balanced budget and reduced growth rates. In addition, farm subsidies will be reduced, and agricultural policy will focus on boosting rural incomes through nonfarm sources. []

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USSR: Severe Meat Shortages

The USSR has made considerable progress in meeting its commitment to upgrade the Soviet diet, but meat shortages remain a major source of dissatisfaction among the Soviet populace. These shortages have required heavy expenditures of hard currency for Western feedgrains, especially following poor harvests.

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[REDACTED]

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Following a sharp decline in grain output in 1975, a round of distress slaughtering temporarily raised meat output, but per capita production in 1976 dropped below the level achieved in 1971. Meat shortages were frequent and widespread, especially in 1977.

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Although describing [REDACTED] the public in general as deeply dissatisfied with the shortages, [REDACTED] this mood only occasionally boiled over into overt protest. Public disturbances were minor and were apparently easily quelled. Continued access to meat supplies in the collective farm market was an essential factor in keeping the lid on civil discontent, despite the increasing spread between these prices and the lower fixed rates in state stores.

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[REDACTED] the government made no strong coordinated effort to find a short-term solution. The only nationwide effort reported was a "fish day" in restaurants, ostensibly for dietary reasons. Limiting meat sales at state stores was common practice but was only partially effective because many customers queued up more than once.

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State industrial managers made a genuine effort to supplement and regularize meat supplies for their employees; a ration card system was set up at some plants. Workers were otherwise forced to miss work if they tried to obtain meat from the state stores.

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Individual efforts to get meat included the age-old systems of bribes and barter. Persons with valuable skills, such as bricklayers, said they could trade their services for meat, and meat store personnel were usually vulnerable to under-the-table offers. [REDACTED]

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BRIEFS

USSR-Vietnam

The USSR has delivered three coastal patrol boats and apparently two light frigates to Vietnam, the first shipments of naval equipment in more than three years. The new ships, when operational, will significantly bolster Vietnam's naval capabilities. [REDACTED]

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In late November, two Soviet merchant ships unloaded three small Zhuk-class coastal patrol boats at Ho Chi Minh City. This week, two Soviet tugs towed two Petya-class light frigates to Da Nang. [REDACTED]

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Petyas are about 90 meters long and are armed with four 76-mm guns, antisubmarine rockets, and torpedo launchers. These light frigates will be the most seaworthy ships in the Vietnamese Navy and can be used for coastal patrols and defense of territorial waters. The Vietnamese Navy is equipped with various small patrol craft built by the USSR, China, and the US and two old US Coast Guard cutters. The Vietnamese have not used their superior naval capability against Kampuchea, and are not likely to use the Soviet-built frigates in that role any time soon. [REDACTED]

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Ecuador

Ecuador's ruling Supreme Council on Wednesday authorized the electoral tribunal to proceed with the second round of the presidential election and the parliamentary election, both set for 8 April 1979. [REDACTED]

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The council's decree was accompanied by a strong reaffirmation of the electoral process from President Poveda. The official statements have helped to dispel recent doubts concerning the ruling military's resolve to implement the long-promised transition to civilian rule. [REDACTED]

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Front-running populist candidate Jaime Roldos will face Sixto Duran-Ballen of the center-right coalition in the presidential runoff. [REDACTED]

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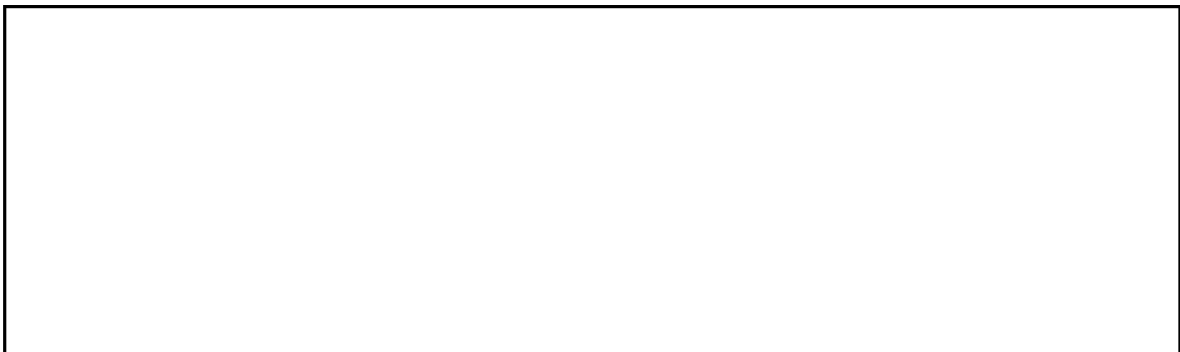
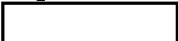
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USSR

//Six Soviet naval ships left the Sea of Japan early this week en route to the Indian Ocean to relieve ships operating there. The group--consisting of a Kresta-I-class guided-missile cruiser, a destroyer, an oiler, which were towing two small frigates and a minesweeper--was east of Taiwan yesterday and is likely to arrive in the Indian Ocean next week. With the exception of the guided-missile cruiser, the relief force will probably replace units now serving there on a one-for-one basis. The Indian Ocean squadron currently numbers 20--about the normal level.//

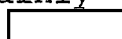


USSR-Afghanistan

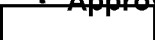
The final communique issued on Thursday at the end of Afghan President Taraki's three-day trip to the USSR provides further evidence of Kabul's closer ties with Moscow. There was no specific condemnation of China, however, and no indication that the USSR has decided to acquiesce in a stronger Afghan policy toward Pakistan. The language on Pakistan was virtually identical to the wording in communiques with the previous Afghan Government and called only for a solution of Pakistani-Afghan differences by "peaceful means, through negotiations."



Like his predecessor, Taraki expressed his support for Soviet detente policies and various Soviet disarmament proposals. Taraki also condemned the Camp David agreements, expressed solidarity with Vietnam, and warned against any "outside" interference in Indochina or Iran. Taraki's agreement on the need to strengthen the "unity of action of the socialist countries and the nonaligned and national liberation movements" is almost certainly beyond what Taraki's predecessor would have said.



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FEATURE ARTICLE

CHINA: Political Policies

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//Events surrounding the high-level party meeting under way in Peking reflect the latest efforts of Vice Chairman Teng Hsiao-ping to consolidate his position and push his sweeping modernization policies. Teng's hand was evident in the controversial wall-posters and street rallies of the past two weeks--and in their abrupt termination after he expressed his disapproval of their excesses. Teng has clearly enhanced his political authority, but he is still not entirely secure. A full party plenum will follow the current meeting, perhaps as early as next week.// [REDACTED]

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//There is good reason to believe that Teng's plans for rapidly implementing the modernization program have been the central focus of discussion at the meeting, formally designated a Central Committee Work Conference. Although the achievement of the "four modernizations" (agriculture, industry, national defense, and science and technology) has been an article of faith in the Chinese leadership since the ousting of the Gang of Four, there has been a noticeable lack of definition to overall plans, and an increasing recognition in the Chinese bureaucracy that achievement of these goals will require major alterations in China's economic and political policies and institutions.// [REDACTED]

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//There has also been confusion and resistance to some of his ideas, particularly at middle and lower levels. Teng's intent at the work conference has most likely been to eliminate this confusion by discussing and clarifying the policies to be adopted, and indicating the penalties to be imposed for noncompliance.// [REDACTED]

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[REDACTED]

//The publication on 4 December of a People's Daily editorial favoring "flexible application of generally accepted international trading practices, full use of

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[REDACTED]

funds from abroad, and the importation of advanced technology" suggests that Teng has been able to obtain high-level party approval during the work conference for some if not all his initiatives.// [REDACTED]

//One of the major problems Teng has faced in defining and implementing new policies has been the perception among party members at all levels that his policies are "anti-Maoist" and, as such, subject to reversal if more dogmatic leaders appear in the future. Teng's response has been a gradual program to reassess Mao Tse-tung's thought as the ideological foundation of the regime.// [REDACTED]

//Again, Teng has felt obliged to act in a circuitous fashion. His own viewpoint--that a more flexible ideology is required to meet the challenges of a modernizing society, that some of Mao's policies were wrong or are now obsolete, and that dogmatic adherence to Maoist ideology is the chief impediment to China's drive for modernization--has been presented most strongly in media channels not associated with orthodox party decision-making.// [REDACTED]

//The attacks on Mao by the poster writers and demonstrators in Peking's streets in late November, however, went far beyond the tolerable limits of political dissent in China. Teng himself found the criticism excessive and was also concerned that journalistic reports of the events conveyed an incorrect impression of incipient political instability in China. Thus, the leadership probably concluded that continuing the poster criticism would do more harm than good and decided to close it off.// [REDACTED]

//Another problem related to the modernization drive as well as to Teng's own personal style is the question of cadres--who will carry out the newly defined policies. Teng began to seize the policy initiative in this area soon after his return to power in late 1977, and with his flair for bureaucratic maneuvering, he has steadily consolidated his authority, mostly at the expense of other Politburo members.// [REDACTED]

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[REDACTED]

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//The party's Organization Department, headed by a Teng protege, has been vigorously pressing a campaign to demote or transfer incompetent and politically suspect cadres, replacing them in many cases with rehabilitated old party bureaucrats of a Tengist stripe.//

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//Resistance to this program has apparently been strong, and it clearly was one of the issues discussed at the party meeting. That Teng has now been able to effect an acceleration of the rehabilitation campaign seems clear from his own favorable mention of ousted Defense Minister Peng Te-huai, reported to have been posthumously rehabilitated at the meeting, and from the recent public appearance of two prominent pre - Cultural Revolution leaders long in disgrace.//

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//Another aspect of the problem facing Teng is the continued presence in the Politburo of officials who made their way to the top during the Cultural Revolution and who, at least implicitly, do not fully support Teng's plans. It is apparent that Teng has already achieved notable success in dealing with these opponents. Over an extended period, he has been able to neutralize most of them by isolating them from their organizational power bases or by getting them publicly to commit themselves to his own ideals and programs. He has also received support from party Chairman Hua Kuo-feng.//

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//The recent wallposter attacks on some of Teng's adversaries suggest the possibility that Teng intended to use the current meeting to deliver the coup de grace to some of these opponents by having them excluded from the Politburo. The continued public appearance of these potential victims raises the possibility that Teng met with unexpectedly strong opposition to his plans from other members of the Politburo.//

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//Hua and Vice-Chairman Yeh Chien-ying have been consistent advocates of "stability and unity" and would probably be among those opposed to any precipitate purge of the Politburo. This remains conjecture, however; it seems equally likely that Teng concluded that the time was not ripe for a purge and had no intention of making a final attack on his enemies.//

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[REDACTED]

//An alternative solution to Teng's problem would be to enlarge the Politburo by adding several of his supporters, possibly including some pre - Cultural Revolution leaders who have yet to be, or are only recently, rehabilitated. This would tend to isolate and neutralize Teng's opponents without the need for a high-level purge--but because the outcome would still be the enhancement of Teng's authority there is probably still considerable resistance among some members of the current leadership.// [REDACTED]

//On the eve of the party plenum, Teng's position, on balance, remains a strong one, but not entirely secure. Still constrained by consideration of "stability and unity" from taking full revenge against his former critics, he will be looking for other ways to demonstrate his political authority and the legitimacy of his policies and programs. Teng will certainly continue to press for change at the top of the party hierarchy. The nature of his next moves depends largely on Teng's own reading of the political dynamics in Peking.// [REDACTED]

DIA Comment

//The Defense Intelligence Agency does not agree with the supposition that Vice Premier Teng Hsiao-ping intended to use the current party meeting to remove personal opponents from the Politburo, or that he delayed such a purge because "the time was not ripe." In the opinion of DIA, Teng is not faced with significant opposition within the Politburo, has been demonstrated by the Vice Premier's virtually unblemished record of success in promoting his own policy formulations and in the appointment of his closest associates to key leadership positions since returning to power in mid-1977.// [REDACTED]

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[REDACTED]

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